United Nations TD/B/61/2

United Nations Conference on Trade and Development

Distr.: General
7 July 2014

Original: English

Trade and Development Board
Sixty-first session
Geneva, 15–26 September 2014
Item 7 of the provisional agenda

Evolution of the international trading system and its trends from a development perspective

Note by the UNCTAD secretariat

Executive summary

International trade presents great potential for enabling inclusive and sustainable economic development. Trade in agriculture, in particular, may generate impetus for economic growth, enhanced food security and inclusive and sustainable development in the post-2015 period. The World Trade Organization (WTO) Doha Round of negotiations was mandated to further pursue the reform of agricultural trade by liberalizing market access, substantially reducing domestic support subsidies and abolishing export subsidies.

Given the concentration of absolute poor in rural areas in low-income countries, and the importance of agricultural trade for women's economic empowerment and employment, a special focus on agriculture in the post-2015 development framework would have a significant impact on efforts to eliminate absolute poverty in 2015–2030.

Regional trade agreements, including megaregional agreements under negotiation, do not address many important aspects of agricultural trade, including domestic and export subsidies, and hence cannot replace the multilateral process.

The concurrence of multilateral negotiations – the post-2015 development agenda and the WTO Doha Round of negotiations (including the decisions adopted at the Ninth Ministerial Conference, held in Bali, Indonesia in 2013) – presents a unique opportunity to establish global policy coherence that firmly connects international trade to inclusive and sustainable growth. Treating trade exclusively as a matter for the multilateral trading system and multilateral trade negotiations, as it is in the Millennium Development Goals, would risk not only jeopardizing such coherence at the global level, but also undermine the enabling role of international trade in the post-2015 development framework.

GE.14-07656 (E)
1407656

Please recycle

Introduction

1. The sixty-ninth session of the United Nations General Assembly will open on 16 September 2014 and its deliberations will include the articulation of a post-2015 development agenda and sustainable development goals.[1] At the time of preparation of the present document, one substantive set of recommendations for the post-2015 development agenda is being discussed by the Open Working Group on Sustainable Development Goals, established following the United Nations Conference on Sustainable Development. The sustainable development goals to be proposed by the Open Working Group are expected to consist of a set of goals, targets and indicators that are essential for achieving economic, social and environmental sustainability in the years beyond 2015. In the Open Working Group discussions up to June 2014 and the Introduction and Proposed Goals and Targets on Sustainable Development for the Post-2015 Development Agenda document prepared by the co-Chairs of the Open Working Group, issues linked to international trade were primarily treated under the goal of strengthening and enhancing the "means of implementation and global partnership for sustainable development".[2]

2. There is no doubt that international trade presents great potential for enabling inclusive and sustainable economic development. This concept was elaborated and accepted as conventional wisdom 50 years previously at the establishment of UNCTAD. The Final Act of the first session of the United Nations Conference on Trade and Development states: "The extensive development of equitable and mutually advantageous international trade creates a good basis for the establishment of neighbourly relations between States, helps to strengthen peace and an atmosphere of mutual confidence and understanding among nations and promotes higher living standards and more rapid economic progress in all countries of the world."[3] By connecting developing-country producers and consumers to global markets, trade – through both exports and imports – provides a critical channel for the flow of finance, technology and services needed to further improve productive capacity in agriculture, industry and services, which in turn are needed for structural transformation of economies.[4]

3. In practical terms, international trade becomes an enabler of inclusive and sustainable development, provided that:

(a) Trade increases a population's earning capacity at a quicker pace and/or a greater magnitude than by simply servicing the domestic market (i.e. international prices for products and services are higher than domestic prices) and/or using only domestically available productive inputs, including services;

(b) Trade increases job and income opportunities for a country's working population, including the marginalized and vulnerable groups and persons at the absolute poverty level, both urban and rural;

(c) Trade improves access to the essential goods, services and technology for economic and social well-being and for environmental sustainability.

---

[1] A/68/202.

[2] Open Working Group on Sustainable Development Goals, 2014, Introduction and proposed goals and targets on sustainable development for the post-2015 development agenda, 2 June, available at http://sustainabledevelopment.un.org/content/documents/4044140602workingdocument.pdf (accessed 1 July 2014).

[3] UNCTAD, 1964, Proceedings of the United Nations Conference on Trade and Development, vol. I (New York, Sales no. 64.II.B.11, United Nations publication).

[4] TD/B/C.I/33.

4. In this regard, special account should be taken of the agreed conclusions adopted by UNCTAD member States at the sixth session of the Trade and Development Commission, held in May 2014, particularly their recognition that "the role of trade in development should be adequately reflected in the post-2015 development agenda and sustainable development goals as a key enabler and means to achieve inclusive economic growth and sustainable development".[5]

5. Agriculture plays a decisive role in the attainment of development goals ranging from poverty reduction to productive employment, to environmental sustainability. This topic is elaborated on in section E of the present document.

6. Against this background, and taking stock of recent UNCTAD research, intergovernmental discussions and technical assistance, this document focuses on agricultural trade for two main reasons. First, addressing agricultural trade remains a key element for a meaningful conclusion to the Doha Round and effective implementation of the WTO Uruguay Round of negotiations (i.e. article 20 of the Agreement on Agriculture). Second, improved trade in agricultural goods can be instrumental in fostering inclusive and sustainable development in the post-2015 period.

7. This document presents trends in agricultural trade flows and trade policies. It then reviews the interlinkages between improving agricultural viability and poverty reduction, women's economic empowerment, food security and environmental sustainability, all of which are among the mainstays of the post-2015 development agenda. The review is presented against the backdrop of the reality of the international trading system today, i.e. the growing opening up of markets though preferential trade arrangements at bilateral or regional levels (regional trade agreements).

8. Concluding remarks are presented with the aim of facilitating the discussion by member States of this agenda item.

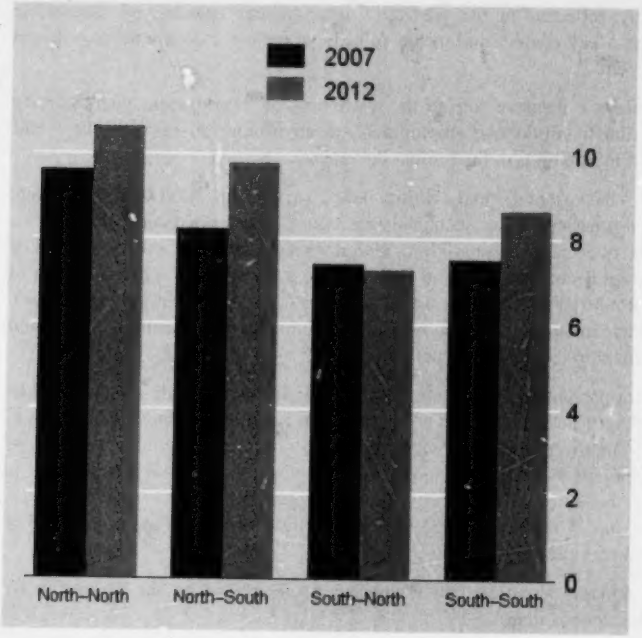
I. Agricultural trade, poverty reduction and sustainable development

A. Trends in international trade in agriculture

9. Between 2007 and 2012, the share of agricultural goods in global trade remained relatively stable and was 8.3 per cent of total trade in 2007 and 9.2 per cent in 2012. Figure 1 provides a breakdown of agricultural trade in each of the four trade flows in 2007 and 2012: from developed countries to other developed countries (North–North), between developed and developing countries (North–South and South–North) and from developing countries to developing countries (South–South). Agricultural trade claims the highest share in the North–North trade flow, followed by North–South, South–South and finally South–North. The share of agricultural exports in both the South–South and North–South flows increased by around 4 percentage points in five years, which indicates an increasing demand for agricultural products in the South. The year-on-year growth in agricultural trade during the period under consideration was 3.8 per cent in the South–South flow and an impressive 14.6 per cent in the North–South flow and in both cases exceeded the growth of non-agricultural trade.

[5] TD/B/C.I/35.

Figure 1
Share of agriculture in total trade by trade flow
(Percentage)



Source: United Nations Comtrade database, available at http://comtrade.un.org/, and UNCTAD secretariat calculations.

10. The composition of agricultural products traded in each flow is quite different, as shown in table 1. In 2012, South–South agricultural exports consisted largely of staple foodstuffs such as sugar, rice and maize, as well as soya beans, which together accounted for 21 per cent of the total agricultural products traded among developing countries. Compared to their ranking in 2007, these staple crops rose to replace agricultural raw materials such as wood and wood products in the list of top 10 products. On the other hand, the top 10 South–North agricultural exports included cash crop types of exports such as coffee, fish, crustaceans and bananas, and showed little change compared to their ranking in 2007. With regard to North–South agricultural exports, the top 10 list included basic foodstuffs such as wheat, soya beans, milk, cotton and maize, almost all of which received high producer support domestically. Relatively high-value products such as wine, meat and cheese accounted for a large portion of North–North agricultural exports.

Table 1

2012 top 10 most exported agricultural products (at the Harmonized System four-digit level), by trade flow

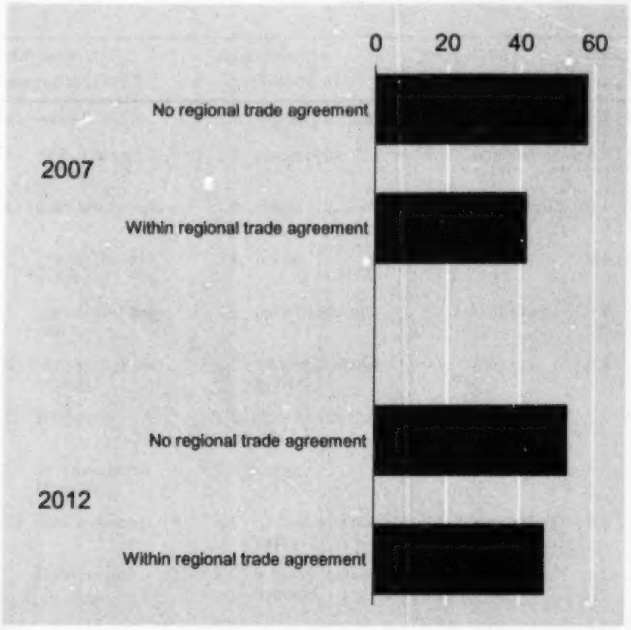
(Percentage)

	South–South (US$440 billion total)		*South–North (US$296 billion total)*		*North–South (US$313 billion total)*		*North–North (US$612 billion total)*	
1	palm oil	7.0	coffee	6.7	wheat and meslin	7.1	wine	3.8
2	soya beans	5.6	natural rubber	3.8	soya beans	7.1	meat (pork)	3.4
3	cane or beet sugar	4.6	crustaceans	3.6	milk and cream	4.1	cheese and curd	3.4
4	natural rubber	4.0	oil cake	3.5	cotton	3.2	bread, pastry, cakes	3.0
5	rice	4.0	fish fillets	3.5	prepared food	2.8	cigars, cigarettes, etc.	2.7
6	maize	3.6	bananas	3.0	alcohol, spirits, liqueur	2.7	alcohol, spirits, liqueur	2.6
7	wheat and meslin	3.2	palm oil	2.7	synthetic rubber, etc.	2.7	chocolate	2.5
8	oil cake	2.7	prepared fish	2.5	maize	2.7	wood, sawn or chipped	2.4
9	cotton	2.5	fruit juices	2.1	waste and scrap paper	2.5	prepared food	2.4
10	fish, frozen	2.1	soya beans	2.1	wood, sawn or chipped	2.4	meat (beef)	2.4
Total		**39.4**		**33.6**		**37.3**		**28.4**

Source: United Nations Comtrade database, available at http://comtrade.un.org/, and UNCTAD Trade Analysis and Information System database, available at http://wits.worldbank.org/.

11. Trade in agricultural products is also growing quickly within the framework of regional trade agreements, as depicted in figure 2. With a rise in the number of such agreements in force, the share of world agricultural trade increased from 45 per cent to 51 per cent of total trade within such agreements between 2007 and 2012. The figures for non-agricultural products show a similar trend; trade within regional trade agreements increased from 38 per cent in 2007 to 43 per cent in 2012. Agricultural trade within regional trade agreements experienced larger growth over this period, annually at 8.2 per cent, compared to non-agricultural trade within regional trade agreements, which grew by 5.8 per cent annually. Outside regional trade agreements, agricultural trade grew by 3.3 per cent and non-agricultural trade by 2 per cent.

Figure 2
Share of agricultural trade within and outside regional trade agreements
(Percentage)



Source: United Nations Comtrade database, available at http://comtrade.un.org/, and UNCTAD secretariat calculations.

B. Tariffs in the agricultural sector

12. Global tariff liberalization over the last decades has lowered tariffs on agricultural products, but they are on average still relatively high, ranging from 4 per cent for animal products and food products to almost 8 per cent for vegetable products, as shown in figure 3(a). In comparing the tariff restrictiveness between the North and the South in 2012, it may be seen that developing countries' agricultural tariffs remain at a higher level, between 10 per cent and 15 per cent, as shown in figure 3(b).

Figure 3 (a)

Total tariffs restrictiveness index by economic sector

(Percentage)

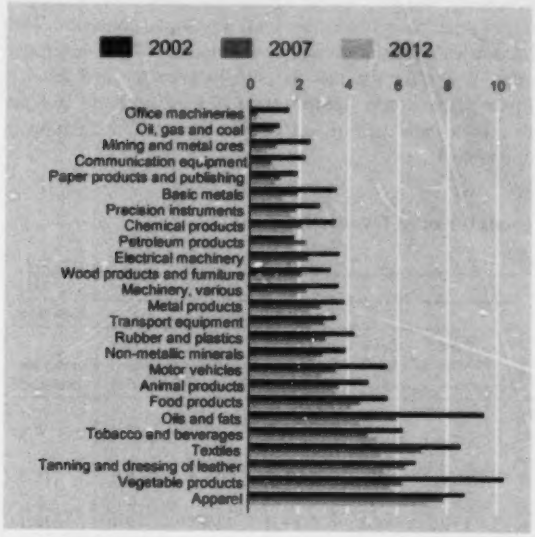
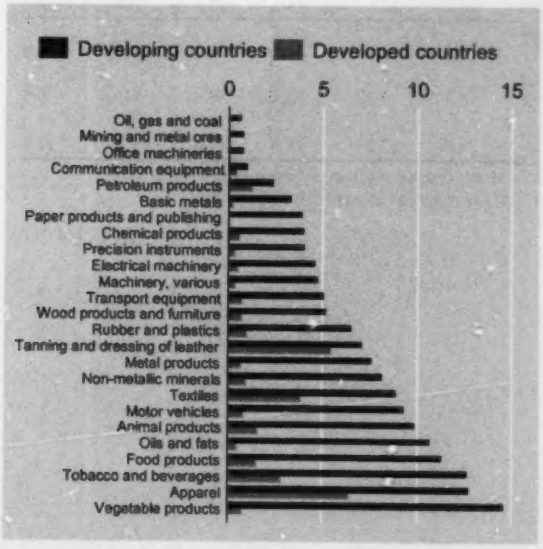


Figure 3 (b)

Total tariffs restrictiveness index in developing and developed countries by economic sector in 2012

(Percentage)



Note: The total tariffs restrictiveness index calculates the uniform tariff that will keep a country's overall imports at the current level when the country in fact has different tariffs for different goods.

Source: UNCTAD Trade Analysis and Information System database, available at http://wits.worldbank.org/, and UNCTAD secretariat calculations.

13. Applied rates on agricultural goods for most favoured nations vary significantly across different trade flows. Table 2 provides simple and trade-weighted averages of agricultural tariffs of different groups of countries against exports of different origins. When measured as a simple average, the highest level of agricultural protection is the one imposed by least developed countries on exports from other least developed countries. With regard to tariffs in high-income countries against agricultural exports from least developed countries and developing countries, it is observed that the simple average tariff level is relatively lower, but the variability or dispersion is significant, at 17.8 per cent and 16.8 per cent respectively. This is due to a high incidence of tariff peaks and tariff escalation in high-income countries, as shown in table 3.

Table 2

Applied rates on agricultural goods for most favoured nations

(Percentage)

			2007			*2012*		
			Exporters			*Exporters*		
			High-income countries	*Least developed countries*	*Developing countries*	*High-income countries*	*Least developed countries*	*Developing countries*
Simple average	*Importers*	*High-income countries*	3.7	3.4	6.7	4.2	3.4	4.1
		Least developed countries	16.5	15.6	15.9	15.8	18.0	16.3
		Developing countries	15.2	15.4	14.2	12.7	9.4	12.1
Trade-weighted average	*Importers*	*High-income countries*	2.0	5.2	13.8	1.1	5.2	4.3
		Least developed countries	11.9	13.4	10.0	10.3	18.4	10.5
		Developing countries	14.2	22.1	14.2	13.8	6.5	12.6
Variability of simple averages (standard deviation)	*Importers*	*High-income countries*	5.3	17.8	44.6	5.5	17.8	16.8
		Least developed countries	10.3	9.9	10.6	9.4	9.5	9.9
		Developing countries	21.0	23.5	18.6	17.4	11.8	13.8

Source: UNCTAD Trade Analysis and Information System database, available at http://wits.worldbank.org/, and UNCTAD secretariat calculations.

Table 3
Tariff peaks and tariff escalation in high-income countries of the Organization for Economic Cooperation and Development[a]
(Percentage)

	2000	2006	2007	2008	2009	2010	2011	2012
Tariff peaks[b]								
All goods	9.2	9.5	9.3	9.0	8.9	8.8	9.3	9.7
Agricultural	33.4	37.6	37.4	37.5	36.5	34.6	36.3	36.0
Non-agricultural	3.1	2.3	2.2	2.2	2.2	2.2	2.3	2.5
Tariff escalation[c]								
All goods	1.0	0.2	0.1	0.1	0.1	0.1	0.2	-0.4
Agricultural	12.6	10.7	11.2	11.8	11.2	9.8	11.2	10.0
Non-agricultural	2.1	1.6	1.3	1.4	1.4	1.2	1.2	0.3

[a] Values shown are averages.
[b] Proportion of total tariff lines in the most favoured nation tariff schedule of a country, with tariffs above 15 per cent.
[c] Percentage point difference between the applied tariffs for finished (or fully processed) goods and the applied tariffs for raw materials. Prior to aggregating data over countries, the country average is calculated as a simple average of the Harmonized System six-digit level duty averages.
Source: UNCTAD Trade Analysis and Information System database, available at http://wits.worldbank.org/, International Trade Centre Market Access Map database, available at http://www.macmap.org/, and UNCTAD secretariat calculations.

14. Preferential tariff rate comparisons, as shown in table 4, reveal that regional trade agreements negotiated in 2007–2012 significantly reduced agricultural tariffs. However, the trade-weighted average tariff in high-income countries imposed on exports from least developed countries is much higher, at 5.9 per cent, than the simple average of 0.8 per cent, indicating that a significant portion of agricultural exports from least developed countries have not yet been fully liberalized, even on a preferential basis. As in the case of most favoured nation applied tariffs, the dispersion in simple average tariffs of high-income countries vis-à-vis agricultural imports from least developed countries and developing countries is higher than in other groups.

Table 4
Preferential tariff rates on agricultural products
(Percentage)

			2007			2012		
			Exporters			Exporters		
			High-income countries	Least developed countries	Developing countries	High-income countries	Least developed countries	Developing countries
Simple average	*Importers*	*High-income countries*	0.3	1.3	2.5	0.2	0.8	2.5
		Least developed countries	9.9	0.7	7.4	..	0.9	3.3
		Developing countries	5.4	0.8	1.7	4.0	0.3	1.5
Trade-weighted average	*Importers*	*High-income countries*	0.1	18.3	3.4	0.1	5.9	2.9
		Least developed countries	8.8	0.7	6.4	..	0.3	5.2
		Developing countries	8.6	0.6	1.7	3.2	0.1	1.5
Variability of simple averages (standard deviation)	*Importers*	*High-income countries*	2.3	32.5	29.0	2.2	24.4	15.1
		Least developed countries	5.2	2.7	7.8	..	3.8	6.2
		Developing countries	19.5	5.0	5.3	16.7	3.9	5.3

Source: UNCTAD Trade Analysis and Information System database, available at http://wits.worldbank.org/, and UNCTAD secretariat calculations.

15. With respect to North–North regional trade agreement negotiations, it is significant that a key obstacle in the Trans-Pacific Partnership Agreement has been the issue of market access for sensitive agriculture products such as dairy products, beef, sugar and rice, while in the Transatlantic Trade and Investment Partnership negotiation difficulties have arisen from differing tariff offers, while tariff offers for agricultural products were reportedly deferred to a later stage.

C. Non-tariff measures in the agricultural sector

16. Besides tariffs, agricultural products are subject to a variety of non-tariff measures which may not be meant for trade-restricting purposes but can affect trade costs upwards and may thus have an implicit trade-distorting effect. The most frequently applied non-tariff measures are technical barriers to trade, largely on processed products, as shown in figure 4(a) and sanitary and phytosanitary measures on raw or processed products, as shown in figure 4(b).

Figure 4 (a)
Technical non-tariff measures, by economic sector
(Percentage)

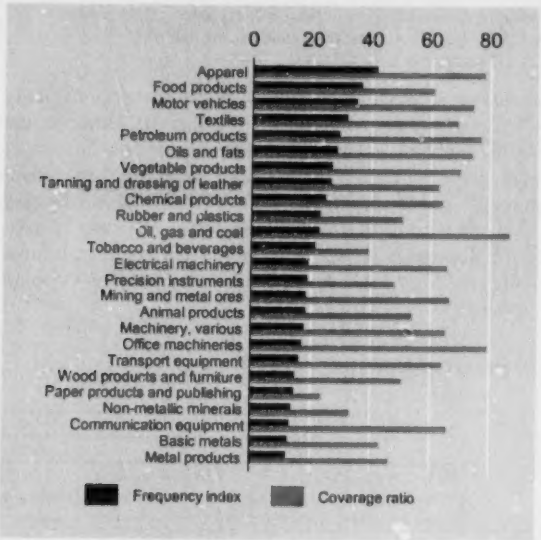
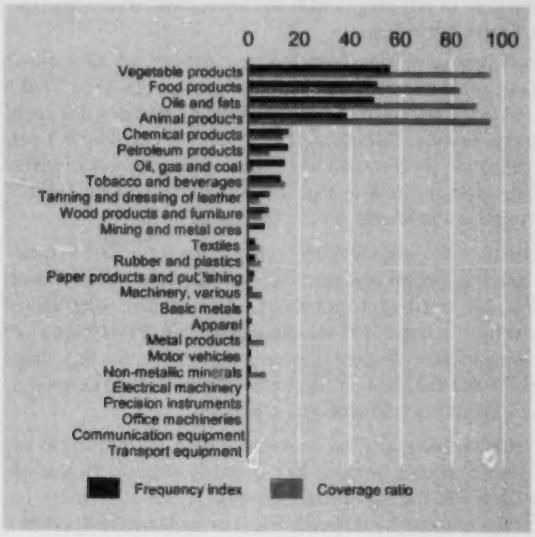


Figure 4 (b)
Sanitary and phytosanitary non-tariff measures, by economic sector
(Percentage)



Source: UNCTAD Trade Analysis and Information System database, available at http://wits.worldbank.org/.

17. Figures 4(a) and 4(b) present the frequency, in terms of the percentage of Harmonized System six-digit lines affected, and the coverage, in terms of the percentage of trade affected, of technical barriers to trade and sanitary and phytosanitary measures across various product groups. Technical barriers to trade are widely used in the form of conformity assessments or registration requirements against many agricultural products as well as for textiles and apparel. Over 60 per cent of trade flows of food products, oils and fats and vegetable products are subject to technical barriers. With regard to sanitary and phytosanitary measures, the frequency index is naturally concentrated in the agricultural sector, as such measures largely aim to protect human and animal health and food safety. Almost all (i.e. on average around 90 per cent) of trade in vegetable products, animal products, food products and oils and fats are subject to such measures.

18. Using the UNCTAD Trade Analysis and Information System database on non-tariff measures, Murina and Nicita (2014) quantitatively investigated the effect of the sanitary and phytosanitary measures applied by the European Union across 21 broad categories of agricultural imports and found that regulatory measures imposed relatively higher burdens on low-income countries than on higher-income countries.[6] Overall, the European Union sanitary and phytosanitary measures on agricultural exports may reduce exports from low-income countries by around US$3 billion, equivalent to about 14 per cent of the total agricultural exports from these countries to the European Union.

19. The study found that membership in deep trade agreements seems to facilitate low-income countries' reduction of the difficulties related to compliance with sanitary and phytosanitary measures. However, a recent UNCTAD study revealed that a developing

[6] M Murina and A Nicita, forthcoming, Trading with conditions: The effect of sanitary and phytosanitary measures on lower-income countries' exports, UNCTAD.

country may still face a significant challenge in market access even within a deep trade arrangement, as shown in box 1.

Box 1. Non-tariff measures concerns in intraregional trade agreement trade: Mexico and the North American Free Trade Agreement

Sanitary and phytosanitary measures significantly affect exports of agriculture from Mexico to the United States of America under the North American Free Trade Agreement.[7] Interviews conducted in the course of the UNCTAD study revealed that such measures effectively limited exports of milk, chicken and pork from Mexico due to, inter alia, difficulties in obtaining certification (notwithstanding considerable progress in terms of the eradication of pests and diseases in Mexico) and the lack of transparency in the formulation of sanitary and phytosanitary measures in the United States market.

With regard to technical barriers to trade, labelling requirements applicable to meat (including goat meat), poultry, ginseng, pecans and macadamia nuts in the United States market were the main concerns, as labelling requirements differed and were more stringent for foreign producers and procedures and the requirement on the labelling of genetically modified organisms was unclear. Mexico also articulated concerns regarding United States quality-control checks and certification requirements, which were perceived as leading to increasing costs for agricultural producers and exporters.

To overcome the barrier effect of non-tariff measures such as technical barriers to trade and sanitary and phytosanitary measures, Mexico has sought to promote the use of international standards and equivalence in the North American Free Trade Agreement. In practice, however, the Agreement has allowed for differing levels of standards to develop.

According to WTO documents containing concerns raised by Mexico with respect to the implementation of WTO agreements, prior trade disputes and trade policy review records, agricultural exports from Mexico to the United States have also been affected by anti-dumping measures (e.g. for fresh tomatoes), subsidies (including export subsidy components and food aid-related concerns for corn and milk), discriminatory taxes (e.g. on orange and grapefruit products and juices), import prohibitions (e.g. on shrimp) and rules of origin and changes that affect the concept of substantial transformation in the North American Free Trade Agreement.

Source: UNCTAD, 2014, *Mexico's agricultural development: Perspectives and outlook* (New York and Geneva, United Nations publication).

D. Agricultural subsidies in the form of producer support

20. Another, and possibly the largest, distorting element in global agricultural trade is agricultural subsidies. In 2012 (the most recent year for which data is available), a total of US$486 billion was spent as agricultural subsidies in the top 21 food-producing countries globally, representing almost 80 per cent of global agricultural value added. Organization for Economic Cooperation and Development (OECD) countries alone spent US$258.6 billion in subsidies to support farming in their respective countries.[8] Public support to agricultural producers made up around 19 per cent of all OECD farming revenues in 2012, as shown in table 5. Much of the agricultural exports from OECD countries consist of goods that benefit from producer subsidies.

[7] United Nations Industrial Development Organization, 2010, *Meeting Standards, Winning Markets: Trade Standards Compliance 2010* (Vienna, United Nations publication).

[8] OECD iLibrary, agricultural support and producer protection estimates, available at http://www.oecd-ilibrary.org/agriculture-and-food/agricultural-policy/indicator-group/english_22d89f8c-en (accessed 1 July 2014).

Table 5
Producer support estimates as percentage of gross farm receipts

	2007	*2008*	*2009*	*2010*	*2011*	*2012*	*Average change (2007=100)*
OECD							
Total	**20.8**	**20.7**	**21.9**	**19.2**	**18.3**	**18.6**	**94.9**
Australia	4.8	4.4	3.1	2.8	2.9	2.7	66.2
Canada	16.4	13.2	17.5	16.7	15.1	14.3	93.6
Chile	3.4	2.6	4.7	2.6	3.0	3.3	95.3
Iceland	55.4	50.6	49.2	44.3	44.3	47.3	85.1
Israel	1.8	16.3	13.1	13.2	12.8	11.4	742.2
Japan	46.7	48.2	48.9	54.9	51.4	55.9	111.00
Mexico	13.0	12.3	14.0	12.4	12.8	12.3	98.1
New Zealand	0.7	0.6	0.5	0.7	1.0	0.8	102.9
Norway	54.6	59.4	61.1	60.4	59.1	63.1	111.00
Republic of Korea	57.4	45.5	50.9	40.1	52.4	53.8	84.6
Switzerland	53.0	56.5	60.8	52.4	54.6	56.6	106.00
Turkey	26.2	26.2	28.4	26.3	22.3	22.4	95.9
United States	10.0	8.8	10.6	7.8	7.7	7.1	84
European Union (27 member countries)	22.8	23.5	23.3	19.8	18.0	19.0	90.9
Non-OECD							
Brazil	4.7	3.7	6.5	4.5	4.8	4.6	102.5
China	9.9	2.9	11.5	15.3	12.9	16.8	120.00
Indonesia	14.9	-10.7	5.9	21.0	14.5	20.9	69.3
Kazakhstan	5.0	3.9	13.8	9.4	10.8	14.6	210.00
Russian Federation	15.1	20.5	20.7	21.5	15.1	13.5	120.9
South Africa	5.1	3.6	4.1	1.7	2.7	3.2	60.00
Ukraine	3.3	3.0	7.9	6.7	-4.4	1.3	87.9

Source: OECD iLibrary, agricultural support and producer protection estimates, available at http://www.oecd-ilibrary.org/agriculture-and-food/agricultural-policy/indicator-group/english_22d89f8c-en (accessed 1 July 2014), and UNCTAD secretariat calculations.

21. The resilience of agricultural subsidies at high levels in many countries is not unrelated to the stalemate in the WTO Doha Round of negotiations to date (except with regard to trade facilitation), including with regard to the next stage of reforming agricultural trade, as foreseen in article 20 of the Agreement on Agriculture. In today's international trading system, only the WTO rules may provide a binding commitment to reduce trade-distorting agricultural subsidies. Though the number of regional trade agreements and bilateral free trade agreements is rapidly increasing, none of them, including megaregional agreements in negotiation, such as the Trans-Pacific Partnership Agreement and the Transatlantic Trade and Investment Partnership, addresses and provides enforceable rules aimed at controlling and phasing out the use of agricultural subsidies.

E. Agriculture, trade and poverty reduction

22. Out of the total 1.3 billion agricultural workers globally, 1.28 billion – or 98 per cent – live in developing countries. On average, around 50 per cent of the working population in developing countries is engaged in agricultural production. The ratio is much less in middle-income developing countries, such as those in Latin America, at 15 per cent, but is high in low-income countries, such as those in sub Saharan Africa, at over 60 per cent,

followed by those in South Asia, at 51 per cent. Altogether, sub-Saharan Africa and South Asia represent half a billion workers employed and/or engaged in the sector.[9]

23. Closely linked to the high ratio of poverty in the agricultural sector in developing countries, a concentration of socially and economically vulnerable groups is also seen in this sector, as shown in table 6.

Table 6
Poverty incidence and depth in low-income and lower middle-income countries
(Percentage)

	Poverty headcount ratio	*Poverty gap*
Low-income countries		
Rural	53	20
Urban	29	10
Total	**46**	**17**
Lower middle-income countries		
Rural	48	15
Urban	27	8
Total	**40**	**12**
Sub-Saharan Africa		
Rural	57	22
Urban	29	11
Total	**47**	**20**
South Asia		
Rural	27	6
Urban	15	3
Total	**25**	**5**

Note: Country averages are based on the latest available data for 2008–2012. The poverty headcount ratio corresponds to the percentage of the population (total, rural or urban) living on less than $1.25 a day at 2005 international prices. The poverty gap is the mean shortfall from the poverty line (counting the non-poor as having zero shortfalls), expressed as a percentage of the poverty line.

Source: World Bank World Development Indicators database, available at http://data.worldbank.org/data-catalog/world-development-indicators.

24. Figure 5(a) and figure 5(b) present the sectoral composition of employment by gender in sub-Saharan Africa and South Asia, respectively. In both regions, agriculture remains the largest sector of employment, compared to the services sector and the industrial sector. In sub-Saharan Africa, the agricultural sector absorbed about 62 per cent of men and women workers in 2012. In South Asia, while the overall share of workers in the agricultural sector is around 50 per cent, there is a considerable difference between men and women; women's employment in the agricultural sector represents around 70 per cent of the total, compared to 15 per cent in both the services and industrial sectors. In addition, the agricultural sector has the highest incidences of early entry into the workforce, at ages as early as five and seven years. Around 60 per cent of all child labourers – about 129 million girls and boys – work in agriculture.[10]

[9] International Labour Office Key Indicators of the Labour Market database, eighth edition, available at http://www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm (accessed 1 July 2014).

[10] Food and Agriculture Organization of the United Nations (FAO), 2013, *FAO Statistical Yearbook 2013: World Food and Agriculture* (Rome, United Nations publication).

Figure 5 (a)

Sectoral composition by gender in sub-Saharan Africa

(Percentage)

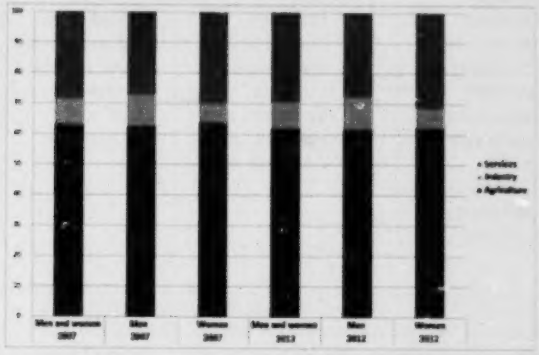
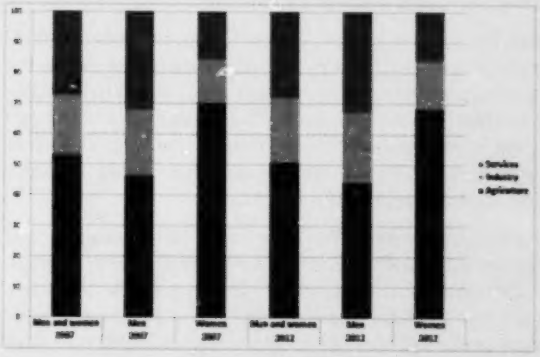


Figure 5 (b)

Sectoral composition by gender in South Asia

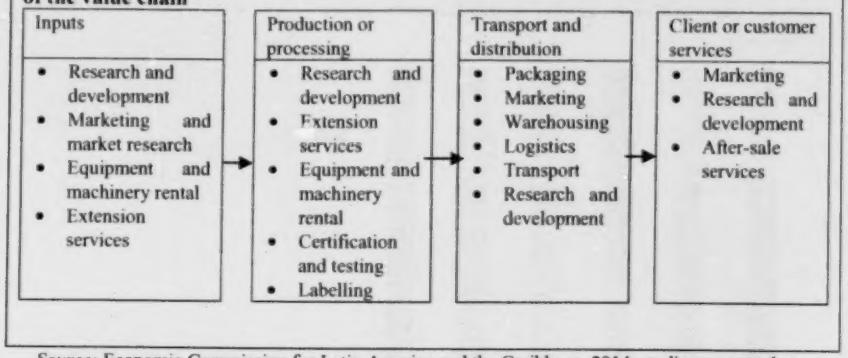
(Percentage)



Source: International Labour Office Key Indicators of the Labour Market database, eighth edition, available at http://www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm (accessed 1 July 2014).

25. Increasing agricultural employment does not have to be seen as a move against the structural transformation of developing countries' economies, since an increase in agricultural jobs via the improvement of agricultural viability in the post-2015 period would come from absorbing the urban poor, most of whom are not formally employed in the sectors that generate higher added value than the agricultural sector. An increase in agricultural viability can also enhance job creation in the services and industrial sectors that are closely linked to agriculture throughout different stages of the value chain, such as extension services and the rental of equipment during the production stage and packaging, warehousing and marketing during the distribution stage, as shown in box 2.

Box 2. Specialized services associated with agricultural production in different stages of the value chain



Source: Economic Commission for Latin America and the Caribbean, 2014, studies presented at the Third Conference of the Latin American Network for Research on Services – Innovation and internationalization in services: New sources of economic development in Latin America, Mexico City, 13 and 14 March, and N Oddone and RP Pérez, 2014, El mejoramiento de las cadenas de valor a través de servicios profesionales y de soporte, International Centre for Trade and Sustainable Development, 6 May, available at http://www.ictsd.org/bridges-news/puentes/news/el-mejoramiento-de-las-cadenas-de-valor-a-trav%C3%A9s-de-servicios (accessed 1 July 2014).

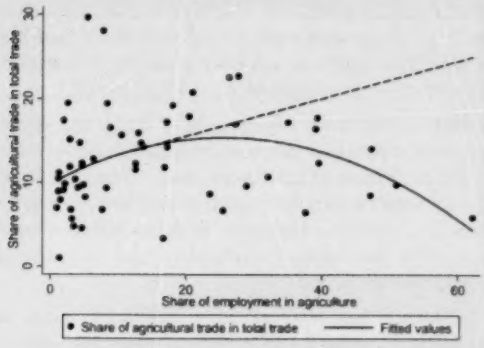
26. The unavailability of agriculture-related services may inhibit overcoming the trade barrier effects of technical barriers to trade and sanitary and phytosanitary measures. For example, the Government of Jamaica acknowledged in its most recent WTO trade policy review that the limited ability to meet international quality standards was a significant challenge for exports, in particular in the agro-processing subsector, in spite of various initiatives undertaken by the Government to improve the association of quality assurance frameworks with agricultural production and agro-processing industries.[11]

27. Additional services that are cross-cutting to the value chain include training and education, financial, legal, telecommunications, security, accounting, quality control, messaging, real estate, energy and mechanical maintenance. Findings of the Economic Commission for Latin America and the Caribbean research referred to in box 2 suggest that specialized or professional services can contribute to technological upgrading at each stage of the value chain.

28. Figure 6 plots the share of agricultural employment in total employment against the share of agricultural trade in total trade. The two ratios reveal an inverted-U-shaped relationship, i.e. the share of agricultural exports rises as the share of agricultural employment increases only up to a certain level, around 20 per cent. The share of agricultural trade tends to be low in countries where agriculture absorbs over 50 per cent of total employment. These are largely a group of low-income countries that may be facing, in addition to low agricultural productivity, difficulties in physically reaching international markets. The gap between the hypothetical linear relationship representation and the observed one may be seen as the trade gap, to be filled through appropriate policies, assuming that farmers may gain from increasing the share of traded production.

[11] UNCTAD, 2013, *Trade Policy Framework: Jamaica* (New York and Geneva, United Nations publication).

Figure 6
Share of agricultural trade in total trade versus share of employment in agriculture
(Percentage)



Source: World Bank World Development Indicators database, available at http://data.worldbank.org/data-catalog/world-development-indicators, and UNCTAD secretariat calculations.

29. Competition law and policy enforcement in the agricultural sector aims to protect both consumers and producers of agricultural goods. Competition policy would ensure, on the one hand, that producers do not collude to the detriment of consumers and, on the other hand, that producers do not suffer due to anticompetitive practices by agents in upstream and downstream markets.

30. The agricultural sector is prone to anticompetitive practices in many developing countries. This is particularly seen with regard to crucial inputs such as fertilizers, agrochemicals and seeds distribution. Furthermore, the rapid consolidation of supermarket chains on a global scale has been a growing trend, linked to which there is an increasing concentration of the distribution and retail networks of agricultural products and dominance by major multinational retailers in both international and domestic agricultural markets.

31. One challenge facing competition authorities in developing countries is that many multinational companies whose operations affect their markets are from outside their jurisdictions. An effort at regional levels may address this problem of extraterritoriality. Two competition cases from the European Commission and France, regarding Nestlé and Italgel, and Cémoi and the Société européenne des assortiments de chocolat, respectively, show that the regional application of competition law in the European Union allows for the analysis of the effects of the former merger within the European Union common market. Assessment of the effects of the merger on the cocoa-producing countries is, however, beyond the scope of European Union competition law due to their extraterritoriality.[12]

32. One way to handle such cases is through the application of regional competition rules. For example, the Common Market for Eastern and Southern Africa has a regional competition authority, the Competition Commission, which is currently engaged in evaluating mergers affecting more than one country within the common market.[13]

33. Another vital aspect of agriculture is its gender dimension. The rate of women's participation in the agricultural sector is particularly significant in low-income countries, where women producers are usually small farmers or work as unpaid labour on family farms. In many agriculture-based economies, women benefit from international trade, often

[12] UNCTAD, 2008, Cocoa study: Industry structures and competition, UNCTAD/DITC/COM/2008/1.
[13] See http://www.comesacompetition.org.

through wage employment opportunities on estate farms or in packing houses. Women often work in subsistence agriculture and produce staples for their own consumption.

34. Generally, women's productivity tends to be lower than that of men. According to FAO, if women had the same level of access to productive resources as men, they could increase the yields of their farms by 20 to 30 per cent, raising total agricultural output in developing countries by 2.5 to 4 per cent. This would in turn have a significant impact on food security, reducing the overall number of hungry people by 12 to 17 per cent.[14]

35. In examining the gender-related ramifications of agricultural trade and related policies, it is useful to distinguish between export cash crops and the subsistence-oriented staple-food segment. With regard to the production of cash crops, trade liberalization can benefit women farmers by providing expanded markets for export, as well as opportunities to integrate into global supply chains as producers. However, in doing business small farmers, many of whom are women, often face obstacles related to land tenure, poor infrastructure and limited access to productive resources.

36. Non-traditional agro-export production has emerged as a significant source of employment for rural women, particularly in some Latin American countries, such as Brazil, Chile, Colombia, Ecuador, Mexico and Peru, and sub-Saharan countries, such as Ethiopia, Kenya, South Africa, Uganda and Zambia. However, women tend to be concentrated in certain specific segments of the production line, such as grading and packing, and rarely receive opportunities for training and upgrading, as shown in the case study in box 3. Moreover, women are generally seen as secondary workers and as relatively easier to lay off due to their lower bargaining power.[15]

Box 3. The cut flowers industry in Kenya

Horticulture is among the fastest-growing sectors of the economy in Kenya. This performance is largely attributed to the export of cut flowers, mainly to European markets. On a global level, Kenya is the third largest flower exporter by value and volume. Exports rose from $100 million in 2002 to more than $300 million in 2007, and the cut-flower industry of Kenya represents a valuable and well-established contributor to the economy of the country.

Over 65 per cent of the total employment in the cut-flower industry is on a temporary, seasonal or casual basis and 75 per cent of the workers are women. The development of the cut-flower sector has created broad opportunities for women's employment. However, the benefits to women have been greatly diminished by the low wages paid in the sector. Particularly damaging for women is their continued status as temporary workers and the use of rolling contracts as a means of avoiding the additional costs associated with permanent employment.

The situation has, however, recently improved and some significant results have been achieved, namely the following: women workers are guaranteed maternity leave of three months (while men are granted paternity leave of 14 days); men and women benefit from, on average, 23 days of annual leave; only men interact with pesticides; weekly hours are capped at 46 hours and overtime is limited and paid at an increased rate; personal protective equipment is required and provided freely; gender committees have been instituted that educate workers on sexual abuse and provide women workers with a complaints procedure.

[14] FAO, 2011, *The State of Food and Agriculture 2010–2011: Women in Agriculture – Closing the Gender Gap for Development* (Rome, United Nations publication).

[15] S Barrientos, N Kabeer and N Hossain, 2004, The gender dimensions of the globalization of production, Policy Integration Department, World Commission on the Social Dimension of Globalization, Working Paper No. 17, International Labour Office.

Finally, ethical standards and labels adopted by flower farms to respond to consumer concerns in Europe, such as the Fairtrade label, GlobalGAP (Good Agricultural Practice), Multi-Packaging Solutions and the Kenya Flower Council, are regarded as having played a significant role in improving the social, economic and environmental situation of workers in the sector, especially women.

Source: TD/B/C.I/EM.2/3 and B Leipold and F Morgante, 2013, The impact of the flower industry on Kenya's sustainable development, International Public Policy Review, 7(2).

37. Recent cases suggest that women may gain new opportunities in cash crop production through contract farming and other outgrower schemes. Under these contractual arrangements, the farmer agrees to supply a specified quantity and quality of an agricultural product within an agreed time frame, and the buyer commits to purchase the product and may also commit to supplying inputs or providing extension services or advancing finance. Under such schemes, buyers may structure their procurement schemes to enable and encourage women's participation with a view to generating sustainability claims for their products. Contract farming may, however, involve risks linked to the fact that buyers often prefer to source from large rather than small farms in order to reduce transaction and supervision costs. This may squeeze the cash-earning capacity of marginal and vulnerable rural smallholders, many of whom are women. For example, some studies show that, for cash crop production during the 1990s, women farmers obtained only 3 per cent of contracts in Guatemala and fewer than 10 per cent of contracts in Kenya.[16] Yet there are also a number of successful cases where women can be seen to have benefited from new opportunities emerging from enhanced trade openness, for example in shea production in Burkina Faso and non-traditional agro-export in Uganda.

38. With regard to the production of staple foods, trade liberalization can erode women's already meagre earnings in the sector, with cheap imports reducing domestic prices for agricultural produce. For example, the liberalization of the rice market in the Philippines between 2001 and 2005 led to a reduction in the domestic price of rice and reduced incomes for both men and women small farmers.[17]

39. Enhancing regional trade might particularly benefit women as economic agents as neighbouring markets are likely to be more familiar and easier to deal with.[18] In Southern and West Africa, for instance, women constitute the largest proportion (representing between 70 per cent and 80 per cent) of informal cross-border traders. Such regional trade contributes to food security, poverty reduction, women's empowerment and enterprise development. However, none of the existing regional trade agreements specifically address gender-specific obstacles in cross-border trade, which range from women's limited access to information on cross-border trade regulations or procedures, to the higher risk that they face than men of being victims of abuse, violence and bribery.[19]

40. Regional trade agreements may serve as a platform to ensure that countries cooperate in implementing policies that strengthen the role of trade in supporting

[16] N Kabeer, 2012, Women's economic empowerment and inclusive growth: labour markets and enterprise development, Supporting Inclusive Growth Working Paper 2012/1, Department for International Development and International Development Research Centre.

[17] TD/B/C.I/EM.2/3.

[18] M Carr, MA Chen and J Tate, 2000, Globalization and home-based workers, *Feminist Economics*, 6(3) and Z Randriamaro, 2005, Gender and trade: Overview report, Bridge Development – Gender, Institute of Development Studies.

[19] TD/B/C.I./EM.2/2/Rev.1.

environmental sustainability. Experience to date shows that this is not yet the case.[20] Although some agreements affirm the need for trade to support environmental protection in their preambles and as best-endeavour articles, very few of the over 300 such agreements currently in force explicitly address environmental concerns with legally binding provisions. Among those that do so are agreements that require environmental impact assessments or sustainability impact assessments to be undertaken to examine the ex-ante and ex-post impacts of trade on the environment and sustainable development, with the aim of ensuring net positive impacts from an agreement under negotiation during its implementation. However, the quality of these assessments and the responsiveness of negotiators to their results remain variable, as shown in the case study in box 4.

Box 4. Regional trade agreements and harmonization in biofuels standards

Regional trade agreements have important consequences on the linkage between agriculture and renewable energy. One example may be seen in the case of biofuels, which are made primarily out of agricultural feedstock such as sugar cane, soya beans and palm kernels. The production and use of biofuels increased significantly in 2006–2013. Ethanol production increased from 31 billion litres in 2006 to 84 billion litres in 2012, while biodiesel production increased from 7 billion litres to 21 billion litres in the same period. In parallel with the physical growth of this market, the upward development of biofuels trade was met with increasingly stringent sustainability regulations in this sector, as biofuels were perceived to carry risks of feedstock competition between food and fuel, with sensitive impacts, especially in developing countries. Key players in sustainability discussions included Brazil, the United States and the European Union, all major producers and consumers of biofuels. While some level of cooperation was achieved on technical standards of fuel norms, no consensus emerged on sustainability rules for biofuels.

The ongoing negotiations towards a Transatlantic Trade and Investment Partnership between the United States and the European Union could create renewed momentum in the renewable energy trade and give new impetus to discussions on how to craft mutual recognition systems for the different biofuels sustainability rules in place on both sides of the Atlantic Ocean. This has the potential for cost reductions and significant improvement in regulatory uncertainty, which has been a problem for existing and prospective biofuels producers, especially in developing countries.

Source: J Earley, 2009, United States trade policies on biofuels and sustainable development, Issue Paper No. 18, International Centre for Trade and Sustainable Development, available at http://www.ictsd.org/themes/agriculture/research (accessed 1 July 2014), and Brazil, United States and European Union Tripartite Task Force, 2007, Internationally compatible biofuel standards, White Paper, European Commission, available at http://ec.europa.eu/energy/renewables/biofuels/standards_en.htm (accessed 1 July 2014).

II. Inclusive and sustainable agricultural trade in the post-2015 era: Issues for discussion

41. As discussed above, improving economic viability through trade in the agricultural sector has a direct and positive impact not only on eliminating absolute poverty, particularly in lower-income countries, but also on creating ground for inclusive and sustainable economic growth in the period ahead, including in the United Nations post-2015 development agenda and sustainable development goals, and beyond.

[20] P Reynaud, 2013, Sustainable development and regional trade agreements: Toward better practices in impact assessments, *McGill International Journal of Sustainable Development Law and Policy*, 8(2).

42. A special focus on agriculture in the post-2015 agenda may energize efforts to eliminate absolute poverty after 2015. In this respect, this document highlights seven issues that should be addressed during the formulation of the post-2015 development agenda and in the WTO Doha Round of negotiations, with a view to creating a coherent international framework for enhancing economically viable agricultural trade for achieving inclusive and sustainable economic growth and food security.

43. The first issue is the need to reduce trade distortion in agricultural trade, especially by abolishing and reducing subsidies provided to large commercial agricultural producers in high-income countries, which distort global production and consumption patterns in a non-sustainable way by creating a hyperintensive production system.[21] Such subsidies can be counteractive to measures targeting the reduction of rural poverty in lower-income countries, particularly when subsidies in OECD countries are provided for the production of staple crops such as wheat, maize and rice. Reducing the agricultural viability of low-income countries via agricultural subsidies can eventually exacerbate food insecurity risks in the future, especially when around 60 per cent more agricultural production is estimated to be necessary to the world in 2050. Though in the short term consumers in net-food-importing countries may suffer higher prices as a result of the abolition and/or substantial reduction of domestic and export agricultural subsidies, in the longer term, while competition is levelled, domestic producers will become more competitive and be able to better sustain food security in their own countries.

44. The second issue is the need to reduce trade costs in agricultural trade, particularly in a regional set-up. Trade costs in general, and in the agricultural sector in particular, fall with an increase in supply capacity in the services sector, such as in transport and logistics, warehousing, quality control, marketing and retailing. Such services may already exist in some well-established global value chains involving cash crops, due to investment by, and possibly pressure from, multilateral companies, but are close to non-existent in regional trade involving lower-income countries.

45. The third issue involves improving equitable competition in the agricultural sector. In agricultural markets at international, regional and domestic levels, the market structure is often highly concentrated in upstream and downstream markets, which cannot be changed through competition law enforcement only. Most competition laws contain provisions on the abuse of market power by producers and suppliers of goods and services, but are usually not applied to situations where producers have no bargaining power vis-à-vis the buyers.[22]

46. The fourth issue is increasing the participation of marginalized and/or vulnerable groups in agricultural production and trade and making this participation economically viable. Rural women's likelihood of integration in international trade and global value chains depends on the policy measures taken by Governments to redress gender inequalities and constraints, provide incentives to source from women producers and ensure that women producers obtain fair deals from buyers, for instance through public–private partnerships.

47. The fifth issue is the need to look at improving agricultural market access conditions in a new light. Notwithstanding the importance of providing duty-free and quota-free market access to all exports from least developed countries, and possibly from other vulnerable economies, the value of preferential margins provided to them continues to erode as tariffs are fast-reduced, if not eliminated, under numerous regional trade

[21] U Hoffmann, 2011, Some reflections on climate change, green growth illusions and development space, Discussion Paper No. 205, UNCTAD.

[22] UNCTAD, 2014, *Mexico's agricultural development: Perspectives and outlook* (New York and Geneva, United Nations publication).

agreements and bilateral free trade agreements. For duty-free and quota-free market access to truly benefit least developed countries, it should come with technical support and investment in shoring up their agricultural supply capacity, particularly in non-traditional non-cash-crop sectors, which will also reduce the current level of hindrances imposed by non-tariff measures, such as technical barriers to trade and sanitary and phytosanitary measures, in importing markets.

48. Sixth, with regard to regional trade agreements, especially two megaregional agreements currently under negotiation, the Trans-Pacific Partnership Agreement and Transatlantic Trade and Investment Partnership, it does not appear, at least for the time being, that these potential agreements are likely to generate a sufficiently supportive economic environment for developing countries to make the most of agricultural trade to achieve their development goals, including under the post-2015 development framework. It is important to emphasize, in particular, that none of them addresses the crucial issue of agricultural subsidies. This alone seems to favour the status quo rather than a breakthrough to twenty-first century trade agreements, establishing a type of "golden standard". This also underlines the importance of the multilateral trading system and of concluding the Doha Round with meaningful, balanced and development-oriented outcomes, which should include results on agricultural trade.

49. In relation to market access improvement, the seventh issue, which deserves a new approach in the post-2015 development agenda, is the concept of products of particular interest to developing countries. The preamble to the Agreement on Agriculture states: "developed country members would take fully into account the particular needs and conditions of developing country members by providing for a greater improvement of opportunities and terms of access for agricultural products of particular interest to these members, including the fullest liberalization of trade in tropical agricultural products." A conventional interpretation of particular interest to developing countries covers only their traditional exports. Today, such products may include product groups that may be different across countries. This would create a greater impact upon agricultural earning capacity and job creation.

50. The concurrence of multilateral negotiations – the post-2015 development agenda and the WTO Doha Round of negotiations – presents an excellent opportunity to establish global policy coherence that will firmly connect international trade to inclusive and sustainable growth. Treating trade separately in the post-2015 development agenda, exclusively as a matter for the multilateral trading system and multilateral trade negotiations, would not only risk jeopardizing such coherence at the global level, but also undermine the enabling role of international trade in the post-2015 development framework.